

Message Text

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ACTION EUR-25

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USCINCEUR VAIHINGEN GER

AMEMBASSY PARIS

AMEMBASSY BRUSSELS

C O N F I D E N T I A L USNATO 5353

E.O. 11652: GDS-12-31-79

TAGS: NATO, XC, ETRN

SUBJECT: CENTRAL EUROPE PIPELINE COMMITTEE (CEPPC) 1974 BUDGET:
FRENCH CIVIL TARRIF INCREASES AND OIL SUPPLY PROBLEM

BRUSSELS FOR NATO SHAPE SUPPORT ELEMENT FOR MR. MINER

REF: A. USNATO 3458 C. STATE 206082

B. USNATO 3341 D. STATE 123102

SUMMARY. CEPPC DISCUSSIONS DURING WEEK OF 12 NOV 73 WILL TOUCH ON
SEVERAL SUBJECTS WHICH FRANCE MAY CONSIDER AS IMPINGING ON ITS
NATIONAL POLICY DURING CURRENT OIL CRISIS. USNATO WILL CONTINUE
TO FOLLOW ESTABLISHED US POLICY IN THESE NATTERS. ACTION REQUESTED:
WASHINGTON CONFIRMATION OF CURRENT FUIDANCE. END SUMMARY.

1. CEPPC AND ITS BUDGET WORKING GROUP IN VERSAILLES DURING WEEK
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OF 12 NOV 73 WILL DISCUSS TARIFFS, MILITARY AND CIVIL, AND NATO
BOARD OF AUDITORS REPORT ON EXTRA PAYMENTS BY FRANCE TO TRAPIL.
HISTORY OF NEGOTIATIONS WITH FRANCE FOR INCREASED CIVIL TARIFFS IS
CINTAINED IN REF A. MISSION VIEWS ON QUESTION OF TRAPIL WERE

REPORTED IN REFS A AND B. MISSION IS MINDFUL OF WASHINGTON GUIDANCE IN REFS C AND D WHICH STRESSES THAT US CAN NO LONGER ACCEPT INACTION ON CIVIL TARIFF INCREASES AND THAT CIVIL TARIFFS MUST BE INCREASED TO ATTAIN COMPATIBILITY WITH MILITARY TARIFFS.

2. WE HAVE JUST LEARNED THAT THE 1974 BUDGET NOW PROPOSED BY THE CENTRAL EUROPE OPERATING AGENCY (CEOA) AMOUNTS OF FF 137.7 MILLION COMPARED TO THE 1973 APPROVAL OF FF 122.5 MILLION. REVENUES ARE FORECAST AT AN INCREASE OF ONLY FF 1.5 MILLION. THUS, THE DEFICIT WILL GROW BY 30 PERCENT FROM FF 33 MILLION IN 1973 TO 43.8 MILLION IN 1974. USNATO WILL REDOUBLE ITS EFFORT TO PRUNE CEOA BUDGET DURING SCREENING; BUT SOME 70 PERCENT, REPRESENTING FIXED COSTS (E.G., PERSONNEL), IS NOT SUSCEPTABLE TO REDUCTION. US MUST FOCUS, THEREFORE, ON INCREASES IN REVENUE. THERE SHOULD BE LITTLE DIFFICULTY IN SECURING AGREEMENT ON AN INCREASE FOR MILITARY TARIFFS ON THE ORDER OF 15 PERCENT OF THE FORECAST FF 45 MILLION. WHEREAS FRANCE HAS AGREED TO AN INCREASE IN CIVIL TARIFFS (FORECAST AT FF 46.5 MILLION MOSTLY IN FRANCE), WE DOUBT THAT FRANCE IS CONTEMPLATING MORE THAN A 5-10 PERCENT INCREASE IN CIVIL TARIFFS. THERE MAY, THEREFORE, BE A CONFRONTATION WITH THE US POSITION REQUIRING A RAISE IN CIVIL TARIFFS AT LEAST EQUIVALENT TO THAT OF MILITARY TARIFFS. WITH CURRENT OIL CRISIS AND RECENT PRICE RISES ON POL PRODUCTS IN FRANCE (24 PERCENT FOR FUEL OIL), WE EXPECT THE FRENCH REP TO TAKE HARD LINE. WE WILL ATTEMPT TO CONFINE DISCUSSIONS TO FINANCIAL AND TECHNICAL MATTERS.

3. WE UNDERSTAND THAT RAPPORTEURS' REPORT ON THE BATO BOARD OF AUDIT IRREGULARITIES CONCERNING PAYMENTS TO TRAPIL MAY NOT BE AVAILABLE PRIOR TO NOVEMBER MEETING. THE FRG REP, HOWEVER, INTENDS TO INSIST ON DISCUSSION OF THE RELEVANT REPORT BY THE BOARD OF AUDITORS. WE INTEND AT THIS TIME TO CONFINE OURSELVES TO FACT-FINDING AND DEVELOPING A FULL REPORT WHICH WILL PERMIT NATIONAL AUTHORITIES TO JUDGE THE MATTER.

4. ISSUE OF NATIONAL TAXES ON THE CEPS WILL ARISE DURING BUDGET SCREENING. FRANCE WILL INSIST ON HER SOVEREIGN RIGHTS, AND THE FRG WITH FRENCH SUPPORT, HAS NOW INCLUDED SOME FF 2.6 MILLION
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FOR GERMAN TAXES. WE INTEND TO CONTINUE TO OPPOSE SUCH TAXES ON NATO EXPENDITURES AND REVENUES.

5. REQUEST WASHINGTON GUIDANCE PRIOR TO COB 9 NOV 73.
MCAULIFFE.

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PROBLEM
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